SCHEDULE A

AN ANNUAL BUDGET AND SUPPORTING DOCUMENTATION OF A MUNICIPALITY

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Abbreviations and Acronyms

AMR	*Automated Meter Reading*
ASGISA	*Accelerated and Shared Growth Initiative*
BPC	*Budget Planning Committee*
CFO	*Chief Financial Officer*
CM	*City Manager*
CPI	*Consumer Price Index*
CRRF	*Capital Replacement Reserve Fund*
DBSA	*Development Bank of South Africa*
DORA	*Division of Revenue Act*
EE	*Employment Equity*
EM	*Executive Mayor*
FBS	*Free basic services*
GAMAP	*Generally Accepted Municipal Accounting Practice*
GDP	*Gross domestic product*
GFS	*Government Financial Statistics*
GRAP	*General Recognised Accounting Practice*
HR	*Human Resources*
HSRC	*Human Science Research Council*
IDP	*Integrated Development Strategy*
IT	*Information Technology*
KM	*Kilometre*
KPA	*Key Performance Area*
KPI	*Key Performance Indicator*
LED	*Local Economic Development*
MEC	*Member of the Executive Committee*
MFMA	*Municipal Financial Management Act Programme*
MIG	*Municipal Infrastructure Grant*
MMC	*Member of Mayoral Committee*
MPRA	*Municipal Properties Rates Act*
MSA	*Municipal Systems Act*
MTEF	*Medium-term Expenditure Framework*
MTREF	*Medium-term Revenue and Expenditure Framework*
NGO	*Non-Governmental organisations*
NKPIs	*National Key Performance Indicators*
OHS	*Occupational Health and Safety*
OP	*Operational Plan*
PMS	*Performance Management System*
PPE	*Property Plant and Equipment*
PTIS	*Public Transport Infrastructure System*
SALGA	*South African Local Government Association*
SAPS	*South African Police Service*
SDBIP	*Service Delivery Budget Implementation Plan*
SMME	*Small Micro and Medium Enterprises*

Part 1 – Annual Budget

1.1 Mayor's Budget Speech

Honorable Speaker – Cllr BW Zulu

Honorable Deputy Mayor – Cllr AN Xulu

Honorable Members of the Executive Committee

Honorable Councillors

Municipal Manager – Mr MB Mnguni

Heads of Department

Ladies and Gentlemen

I am honored to present to you the Draft budget for 2020/21 financial year today. I am hopeful that you will positively engage this budget with progressive ideas aimed at shaping the future and sustainability of Nongoma Municipality.

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the Nongoma Municipality. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The

challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

The application of sound financial management principles for the compilation of the **municipality's financial plan** is essential and critical to ensure that the Municipality remains financially viable and that sustainable municipal services are provided economically and equitably to all communities.

Mr Speaker, it is acknowledged that while the municipality is not a profit-making institution it must be maintained and managed as a going concern; therefore we cannot do without increasing the cost of service.

Mister Speaker, we table several documents to the sitting of Council. We are aware that this is a huge volume but we do it to show transparency on how this budget was arrived at and the benefits to be derived by our community from the municipality's programmes.
Mister Speaker, listed below are the highlights of the 2020/21 MTREF Budget:

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Total Revenue (excluding capital transfers and contributions)		**152,413**	**161,873**	**174,375**	**197,930**	**194,974**	**194,974**	**194,974**	**210,525**	**221,880**	**234,411**
Total Expenditure		**166,435**	**183,844**	**190,137**	**190,087**	**192,931**	**192,931**	**192,931**	**210,425**	**221,880**	**234,411**
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		44,416	57,542	31,330	39,873	31,873	31,873	31,873	31,679	34,179	36,009
Surplus/(Deficit) for the year		**30,394**	**35,571**	**15,569**	**47,716**	**33,916**	**33,916**	**33,916**	**31,779**	**34,179**	**36,009**

Emanating from the budget highlights above, the following are the revenue and expenditure detailed budget highlights:

a) Detailed operating revenue

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue &		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Revenue By Source											
Property rates	2	19,507	20,848	22,123	25,537	25,537	25,537	25,537	26,785	28,154	29,620
Service charges - refuse revenue	2	1,723	1,824	1,881	2,123	1,760	1,760	1,760	1,848	1,940	2,037
Rental of facilities and equipment		167	234	196	277	280	280	280	294	308	324
Interest earned - external investments		2,444	1,831	1,580	2,041	2,041	2,041	2,041	2,143	2,250	2,363
Interest earned - outstanding debtors			2,979	3,519	2,735	2,735	2,735	2,735	2,872	3,016	3,166
Fines, penalties and forfeits		268	274	435	346	346	346	346	363	381	400
Licences and permits		869	838	926	945	945	945	945	992	1,041	1,093
Transfers and subsidies		124,758	131,847	141,954	162,773	160,178	160,178	160,178	171,159	179,809	188,997
Other revenue	2	2,676	1,198	1,760	1,153	1,153	1,153	1,153	4,069	4,980	6,411
Total Revenue (excluding capital transfers and contributions)		**152,413**	**161,873**	**174,375**	**197,930**	**194,974**	**194,974**	**194,974**	**210,525**	**221,880**	**234,411**

b) Detailed operating expenditure

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue &		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Expenditure By Type											
Employee related costs	2	73,795	84,112	94,542	89,491	90,309	90,309	90,309	108,244	115,009	122,197
Remuneration of councillors		13,185	13,815	13,532	15,487	15,487	15,487	15,487	15,366	16,327	17,347
Debt impairment	3	3,977	2,326	(9,239)	1,000	800	800	800	4,000	4,200	4,410
Depreciation & asset impairment	2	12,817	17,931	20,018	9,599	9,599	9,599	9,599	17,448	18,321	19,237
Finance charges		142	243	413	500	300	300	300	869	301	111
Other materials	8		5,901	6,038	1,385	1,902	1,902	1,902	1,520	1,596	1,676
Contracted services		17,133	24,615	35,822	26,760	32,886	32,886	32,886	28,433	29,855	31,348
Transfers and subsidies		–	1,500	124	1,950	759	759	759	800	840	882
Other expenditure	4, 5	45,387	24,887	30,157	43,916	40,888	40,888	40,888	33,745	35,432	37,203
Losses			8,513	(1,269)							
Total Expenditure		**166,435**	**183,844**	**190,137**	**190,087**	**192,931**	**192,931**	**192,931**	**210,425**	**221,880**	**234,411**

C) Expenditure

Nongoma Municipality capital budget is funded by Integrated National Electrification Programme (INEP) and Municipal Infrastructure Grant (MIG). The MIG decreased with 1 percent from 2019/20 adjusted budget and INEP remained unchanged at R8 million.

Vote Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue &		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Capital expenditure - Vote											
Multi-year expenditure *to be appropriated*	2										
Vote 5 - Economic and Environmental Services		46,561	60,928	38,566	45,873	39,873	39,873	39,873	38,145	42,179	42,009
Capital multi-year expenditure sub-total	7	**46,561**	**60,928**	**38,566**	**45,873**	**39,873**	**39,873**	**39,873**	**38,145**	**42,179**	**42,009**
Single-year expenditure *to be appropriated*	2										
Vote 1 - Governance and Administration		–	–	–	1,920	1,920	1,920	1,920	–	–	–
Vote 2 - Financial Service		145	93	–	104	104	104	104	–	–	–
Vote 3 - Corporate Services		–	368	–	1,376	1,576	1,576	1,576	–	–	–
Vote 4 - Sport, Recreation and Community Services		–	700	–	295	295	295	295	–	–	–
Vote 5 - Economic and Environmental Services		–	–	–	920	920	920	920	100	–	–
Vote 6 - Transport and Roads		–	–	–	–	–	–	–	–	–	–
Vote 7 - Safety and Security		–	1,000	–	1,328	1,328	1,328	1,328	–	–	–
Vote 8 - Solid Waste Management		–	1,000	–	250	250	250	250	–	–	–
Capital single-year expenditure sub-total		**145**	**3,161**	**–**	**6,193**	**6,393**	**6,393**	**6,393**	**100**	**–**	**–**
Total Capital Expenditure - Vote		**46,706**	**64,089**	**38,566**	**52,066**	**46,266**	**46,266**	**46,266**	**38,245**	**42,179**	**42,009**
Capital Expenditure - Functional											
Governance and administration		**145**	**2,011**	**–**	**3,400**	**3,600**	**3,600**	**3,600**	**–**	**–**	**–**
Executive and council					1,920	1,920	1,920	1,920	–	–	–
Finance and administration		145	2,011		1,480	1,680	1,680	1,680	–	–	–
Community and public safety		**–**	**1,700**	**–**	**1,623**	**1,623**	**1,623**	**1,623**	**–**	**–**	**–**
Community and social services			700		295	295	295	295	–	–	–
Public safety			1,000		1,328	1,328	1,328	1,328	–	–	–
Economic and environmental services		**46,561**	**59,378**	**38,566**	**38,793**	**32,793**	**32,793**	**32,793**	**30,245**	**34,179**	**36,009**
Planning and development		4,890	1,000								
Road transport		41,672	58,378	38,566	38,793	32,793	32,793	32,793	30,245	34,179	36,009
Trading services		**–**	**1,000**	**–**	**8,250**	**8,250**	**8,250**	**8,250**	**8,000**	**8,000**	**6,000**
Energy sources					8,000	8,000	8,000	8,000	8,000	8,000	6,000
Water management			1,000		250	250	250	250			
Total Capital Expenditure - Functional	3	**46,706**	**64,089**	**38,566**	**52,066**	**46,266**	**46,266**	**46,266**	**38,245**	**42,179**	**42,009**
Funded by:											
National Government		41,672	58,378	38,566	39,873	39,873	39,873	39,873	38,145	42,179	42,009
Provincial Government											
Transfers recognised - capital	4	**41,672**	**58,378**	**38,566**	**39,873**	**39,873**	**39,873**	**39,873**	**38,145**	**42,179**	**42,009**
Borrowing	6	5,034	5,711		4,350	4,350	4,350	4,350	–	–	–
Internally generated funds					7,843	2,043	2,043	2,043	100	–	–
Total Capital Funding	7	**46,706**	**64,089**	**38,566**	**52,066**	**46,266**	**46,266**	**46,266**	**38,245**	**42,179**	**42,009**

As indicated in the above table, capital expenditure decreased by 17% percent from 2019/20 adjusted budget. The decrease is due to the procurement of municipal vehicle which was budgeted for in 2019/20 financial year.

The following table provides a breakdown of budgeted capital expenditure by vote: Table 7 2020/21 Medium-term capital budget per vote.

The table below indicates the capital budget per municipal vote for the three financial years of the 2020/21 MTREF.

CAPITAL EXPENDITURE BY VOTE		
Name of the Project	**Budget 2020/21**	**Funding**
Nqokotho Hall	300,000.00	MIG
Ophaphasi Hall	800,000.00	MIG
Esikhaleni Roads	1,500,000.00	MIG
Ndololwane Crèche	363,347.33	MIG
Kwa-Nsele Crèche	1,417,628.40	MIG
Upgrading of Siyondlo gravel road	1,200,000.00	MIG
Sgubudu Community Hall (Ward 12)	331,713.63	MIG
Ekubuseni Crèche	100,000.00	MIG
Nongoma CBD Storm water Management Ward 19	4,000,000.00	MIG
Deleni Road Ward 16 & 19	2,416,500.00	MIG
White City Access Road	4,000,000.00	MIG
Nongoma CBD Sidewalks Ward 19	3,460,796.85	MIG
Nongoma Streetlights/Apollo	3,500,000.00	MIG
Nongoma Blacktop and Drainage system	3,074,932.85	MIG
Redhill Roads Ward 9	3,679,679.94	MIG
TOTAL	**30,144,599.00**	MIG
Mcakwini/ Nkukhwini Electrification (Phase 2)	4,000,000.00	INEP
Ebuhleni Electrification (Phase 2)	4,000,000.00	INEP
TOTAL ELECTRICATION PROJECTS	**8,000,000.00**	
Air Conditioners	**100,000.00**	**Own**
TOTAL CAPTIAL BUDGET	**38,244,599.00**	

The municipality will be implementing the expanded public works programme for an amount of R2.0 million as per the National Treasury allocation.

Tariffs

When revising tariffs and other charges, municipalities are urged to take into account the cost of rendering a service in order to ensure financial sustainability. In revising the tariffs we have taken into account the harsh economic realities of Nongoma. It is impossible to increase the tariffs beyond the inflation target of 5%. Municipalities are required to justify all increases in excess of the 5% upper boundary of the South African Reserve Bank's inflation target.

Municipal property rates tariffs have been increased by 5% while tariffs for other service charges have been increased by the same 5% for the 2020/21 financial year. This is per the budget preparation guideline provided in the MFMA budget circulars.
We will continue to provide free basic service to poor and indigent households and therefore we urge those households which qualify for indigent and other support to come forward and register for a subsidy.
Mr Speaker, allow me to confirm that although we want to do far more than the mentioned elements as well as everything that is captured in this budget, we cannot do everything in one year or even in two years but we will strive to ensure that the needs of our community are fulfilled.

In conclusion, Mr Speaker, I can without doubt state that the proposed 2020/21 multi-year budget attempts to support the role of Nongoma Municipality and will definitely contribute to poverty alleviation and improving the lives of the community.

I want to pay special gratitude to the Councillors of Nongoma, the Municipal Manager Mr MB Mnguni, the Heads of Departments and all the staff of Nongoma, for the good work they did in producing this budget. It will improve the lives of the people.

I thank you

Hon Councillor M.A Mncwango

Mayor of Nongoma Municipality.

1.2 Council Resolutions

On 25 March 2020 the Council of Nongoma Local Municipality met in the Council Chambers of Nongoma Municipality to consider the annual budget of the municipality for the financial year 2020/21. The Council approved and adopted the following resolutions:

1. The Council of Nongoma Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
   - 1.1. The annual budget of the municipality for the financial year 2020/21 and the multi-year and single-year capital appropriations as set out in the following tables:
     - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification)
     - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote)
     - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type)
     - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding source
   - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
     - 1.2.1. Budgeted Financial Position
     - 1.2.2. Budgeted Cash Flows
     - 1.2.3. Cash backed reserves and accumulated surplus reconciliation
     - 1.2.4. Asset management
     - 1.2.5. Basic service delivery measurement
2. The Council of Nongoma Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts the tariffs of charges for various services with effect from 1 July 2020 as set out in Annexure A.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government. National Treasury's MFMA Circular No. 98 and 99 were used to guide the compilation of the 2020/21 MTREF.

The main challenges experienced during the compilation of the 2020/21 MTREF can be summarised as follows:

- The 2020 budget highlights the difficult economic and fiscal choices confronting government and Nongoma Municipality is no exception to these difficulties.
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- More than 75% of the equitable share is committed to employee related cost. This situation leaves the municipality with only 25% for service delivery and municipal running cost.
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2020/21 MTREF process; and

The following budget principles and guidelines directly informed the compilation of the 2020/21 MTREF:

- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;

- Tariff increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality.
- No new positions have been funded, except where another vacant position has been sacrificed to fund it;
  - Overtime cost has not been budget in this financial year;
  - No budget has been allocated for the procurement of Furniture and office equipment;
  - Minimal funding for Catering expenditure;
  - Conferences;
  - Ad-hoc travelling; and
  - Delegations
- The existing contracts will be re-negotiated with service providers for reducing non-essential services built within the contracts or service level agreements (SLAs).

In view of the aforementioned, the following table is a consolidated overview of the proposed 2020/2021 Medium-term Revenue and Expenditure Framework:

CONSOLIDATED OVERVIEW OF THE 2020/21 MTREF					
Details	**2019/20 Adjusted Budget**	**2020/21 Budget Year**	**Change %**	**2021/22 Budget**	**2022/23 Budget**
REVENUE					
Grants & Subsidies	5,672,000	6,805,000	20%	4,511,000	4,703,500
Equitable Share	154,506,000	164,354,000	6%	175,298,000	184,263,000
Total Grants Revenue	**160,178,000**	**171,159,000**	7%	**179,809,000**	**188,966,500**
Property Rates	25,537,000	26,785,389	5%	28,154,409	29,619,628
Services Charges	1,760,000	1,848,000	5%	1,940,400	2,037,420
Other Income	7,499,000	10,733,102	43%	8,528,838	8,528,838
Total Municipal Generated Revenue	**34,796,000**	**39,366,491**	13%	**38,623,647**	**40,185,886**
Total Revenue	**194,974,000**	**210,525,491**	8%	**218,432,647**	**229,152,386**
EXPENDITURE					
Employees & Remunaration of Councillors	111,024,334	123,610,175	11%	131,335,811	139,544,300
Depreciation & Debt Impairment	10,598,883	21,448,352	102%	22,520,770	23,646,808
Contracted Services	32,052,240	28,264,000	-12%	29,677,200	31,161,060
Other Expenditure	44,819,271	37,102,963	-17%	38,346,649	40,059,611
Total Expenditure	**198,494,728**	**210,425,491**		**221,880,430**	**234,411,780**
Surplus/ Deficit	**-3,520,728**	**100,000**		**-3,447,783**	**-5,259,393**

It can be noted from the above table that the total operating revenue budget for the Municipality for 2020/21 financial year is R210.5 million, whereas the total expenditure is expected to be R210.4 million. This equates to a surplus of R100 thousands.

Total operational expenditure, trading and non – trading services including operational IDP projects amounts to R210.4 million for 2020/21 increasing to R221.8m in 2021/22 and again increasing to R234m in 2022/23 financial years.

The total capital budget for the 202/21 financial year is R46m, which is funded by Municipal Infrastructure grant and Integrated National Electrification Programme Grant. This indicates that there has been no change in the capital budget from 2019/20 to 2020/21 financial year.

The following table depicts the grant allocations as contained in the 2020 Division of Revenue Bill in comparison to the projections of the 2018 Division of Revenue Act grant allocation.

CONSOLIDATED TRANSFERS AND SUBSIDIES FOR 2020/21						
Details	**Dora 2019/20**	**Budget 2020/21**	**Difference**	**% Change**	**Budget 2021/22**	**Budget 2022/23**
Operational Grants						
Equitable Share (ES)	154,506,000	164,354,000	9,848,000	6%	175,298,000	184,263,000
Finance Management Grant (FMG)	1,970,000	1,900,000	-70,000	-4%	1,970,000	2,068,500
Expanded Public Works Programme (EPWP)	2,016,000	2,000,000	-16,000	-1%	-	-
Provincilisation of Libraries	880,000	905,000	25,000	3%	935,000	981,000
Ward Based Plan	-	500,000	500,000	100%	-	-
Community Library Service	753,000	1,500,000	747,000	99%	1,606,000	1,684,000
Total Operational Grants	**160,125,000**	**171,159,000**	**11,034,000**		**179,809,000**	**188,996,500**
Capital Grants						
Municipal Infrastructure Grant (MIG)	31,873,000	31,679,000	-194,000	-1%	34,179,000	36,009,000
Intergrated National Electrifcation Programme (INEP)	8,000,000	8,000,000	-	0%		
Total Capital Grants	**39,873,000**	**39,679,000**	**-194,000**		**34,179,000**	**36,009,000**
Total Grants	**199,998,000**	**210,838,000**	**10,840,000**		**213,988,000**	**225,005,500**

The changes in the grant allocations when compared to the 2020/21 adjusted budget approved in the 2019/20 MTREF are as follows;

- The Equitable Share allocation has seen an increase of R9.8 million (6%) when compared to the 2019/20 adjusted budget as Gazetted in the 2019 Division of Revenue Act.
- The Municipal Infrastructure Grant (MIG) has decrease with 1%.
- The Integrated National Electrification Programme Grant has remained unchanged.
- The Expanded Public Works Incentive grant allocation decrease with 1%
- The municipality has been provincially allocated an amount of R500 000 for the preparation of ward based plans. This grant was not allocated in 2019/20 financial year.
- Provincialisation of libraries has increased with 3%
- Community library service grant has increase with 99%.
- Finance Management grant has decrease with 4%

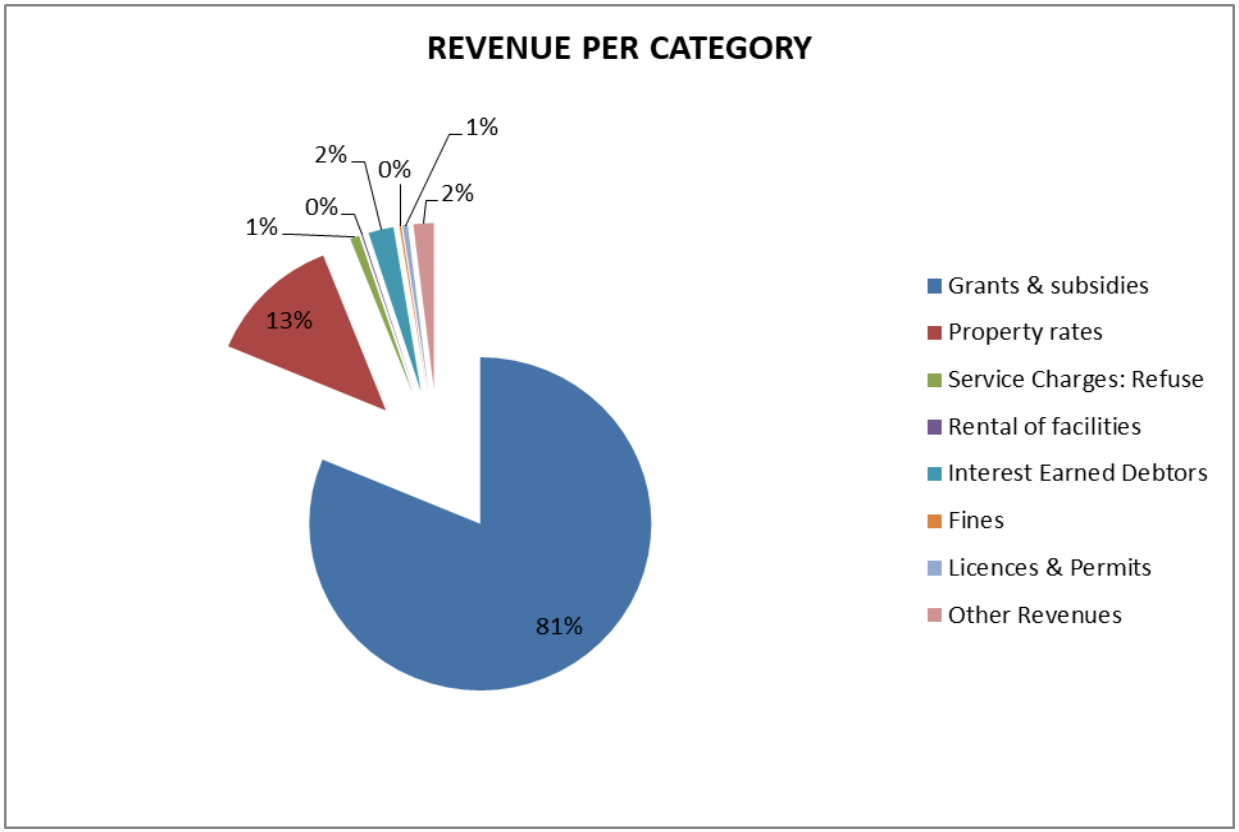
1.4 Operating Revenue Framework

Nongoma Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty, coupled with the global economic crisis. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and expected economic development;
- Efficient revenue management, which aims to ensure a reasonable amount of collection of annual collection rate for property rate and Solid Waste service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service, while taking into account the affordability levels of the consumers;
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and Incentive policies and rendering of free basic services; and
- Tariff policies of the Municipality.

The figure below indicates the 2020/21 municipal revenue per service.



The above graph depicts the municipality's reliance on grants and subsidies making up 81% of the revenue source. Property rates are the second with only 13%, interest income 2%, other income are 2%. The following table is a summary of the 2020/21 MTREF (classified by main revenue source):

Table 3 Summary of revenue classified by main revenue source

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue &		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Revenue By Source											
Property rates	2	19,507	20,848	22,123	25,537	25,537	25,537	25,537	26,785	28,154	29,620
Service charges - refuse revenue	2	1,723	1,824	1,881	2,123	1,760	1,760	1,760	1,848	1,940	2,037
Rental of facilities and equipment		167	234	196	277	280	280	280	294	308	324
Interest earned - external investments		2,444	1,831	1,580	2,041	2,041	2,041	2,041	2,143	2,250	2,363
Interest earned - outstanding debtors			2,979	3,519	2,735	2,735	2,735	2,735	2,872	3,016	3,166
Fines, penalties and forfeits		268	274	435	346	346	346	346	363	381	400
Licences and permits		869	838	926	945	945	945	945	992	1,041	1,093
Transfers and subsidies		124,758	131,847	141,954	162,773	160,178	160,178	160,178	171,159	179,809	188,997
Other revenue	2	2,676	1,198	1,760	1,153	1,153	1,153	1,153	4,069	4,980	6,411
Total Revenue (excluding capital transfers and contributions)		**152,413**	**161,873**	**174,375**	**197,930**	**194,974**	**194,974**	**194,974**	**210,525**	**221,880**	**234,411**

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, Gazette 32141, issued 17 April 2009, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Municipal tariffs

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

Property Rates

Property rates cover the cost of the provision of general services. Determining the effective
Property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate a 30 per cent rebate will be granted on all residential properties (including state owned residential properties);
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;

The category of rate-able properties for purposes of levying rates and the proposed rates for the 2020/21 financial year is contained below:

Table 1 Comparison of proposed rates to be levied for the 2020/21 financial year:

Category	**Proposed Tariff (1 July 2020)**
	C
Agricultural Properties	0.00290
Business, Commercial Properties	0.0340
Communal Property	Nil
Industrial Property	0.0340
Mining Property	0.0340
Multiple Purpose property	Nil
Municipal Property	Nil
Places of worship	Nil
Public Benefit Organisations	Nil
Public Service Infrastructure	0.00290
Public Service Purposes	0.0147
Residential (Rebate 30%)	0.01184
Specialised Properties	0.01576
Vacant Land Residential	0.01576
Vacant Land Business	0.01576

Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are repairs and maintenance on vehicles and equipment, increases in general expenditure such as petrol and diesel and the cost of remuneration. Considering the

deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation will be incorporated into the next planning cycle.

A 5% increase in the waste removal tariff is proposed from 1 July 2020. Any increase higher than 5% would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

The following table compares current and proposed amounts payable from 1 July 2020:

Table 2 Comparison between current waste removal fees and increases

Category	**Proposed Tariff (1 July 2020)**
	R
Domestic Consumers	124.81
Business: - Bulk - Small	 4325.44 521.85
Governmental Institutions:	
- Hospitals/Clinics - Educational - Other	3 834 3 834 3 834
Hall Rental (Refundable Deposit of R300)	2650
Billboards	765.45

Revenue generated from service charges forms a minimal percentage of the internally generated funds of the Municipality, that being the interest on investments and service charges. The Interest on external investments has been increased by 5 percent when compared with the 2019/20 Adjustments Budget, this minor increase is due to the unavailability of funds to invest due to cash flow decline of the municipality in the 2019/20 financial year.

Solid Waste is the fifth largest revenue source with R1.8 million rand expected for the 2020/21 financial year and is expected to increase to R1.9 million by 2021/21. Another source of revenue is '**other revenue'** which consists of various items such as income received from issuing of tender documents, map production and miscellaneous fees. The municipality will review the tariffs of these items on an annual basis to ensure we steadily move to a point where these are cost reflective and market related. Total operational grants and transfers totals R171 million in the 2020/21, R179 million in the 2021/22 financial year and further increasing to R188 million in 2022/23.

Tariff-setting is a very important and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality. The proposed tariffs were discussed at length in the management committee meetings and a consensus was reached to increase the tariffs in such a way that it will have a minimal impact on the citizens of the Municipality, mostly the vulnerable being the poor. National Treasury, in its MFMA Circulars 98 and 99 issued in December 2019 and March 2020 respectively, continues to encourage municipalities to keep increases in tariffs and other charges as low as possible. National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. Municipalities are required to justify all increases in excess of the projected inflation target for 2020/21 in their budget narratives, and pay careful attention to the differential incidence of tariff increases across all consumer groups.

Property rates have increased from R25 million to R26 million. Property rates were increased by 4.5 percent.

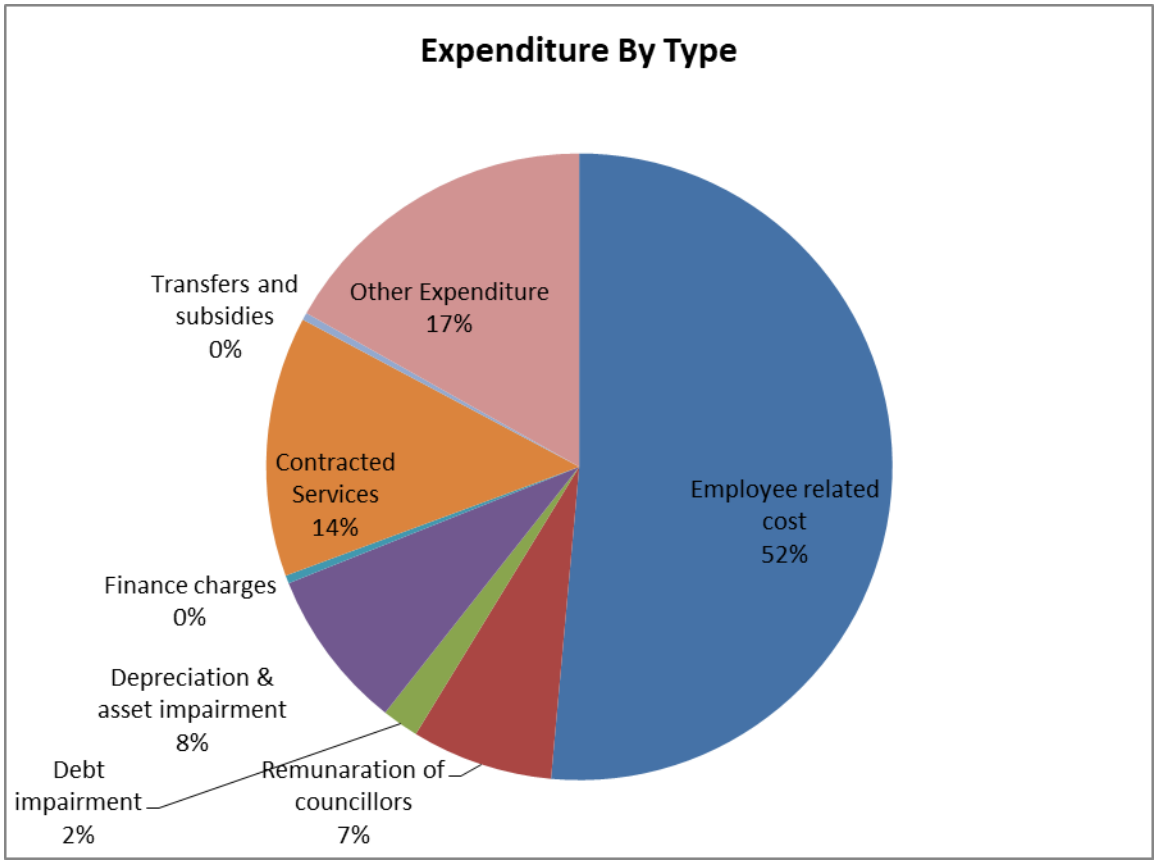
The average increase in the tariff for the 2020/2021 year is 5% and the outer years are also budgeted to increase with the same percentage.

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2020/21 budget and MTREF is informed by the following:

- The infrastructure master plan for repairs and maintenance;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of no procurement plan no budget. If there is no procurement plan no funding allocation can be made. Departments have been given the period between the tabling of the draft budget and finalization of the final budget to submit their procurement plans.
- The following table is a high level summary of the 2020/21 budget and MTREF (classified per main type of operating expenditure):

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Expenditure By Type											
Employee related costs	2	73,795	84,112	94,542	89,491	90,309	90,309	90,309	108,244	115,009	122,197
Remuneration of councillors		13,185	13,815	13,532	15,487	15,487	15,487	15,487	15,366	16,327	17,347
Debt impairment	3	3,977	2,326	(9,239)	1,000	800	800	800	4,000	4,200	4,410
Depreciation & asset impairment	2	12,817	17,931	20,018	9,599	9,599	9,599	9,599	17,448	18,321	19,237
Finance charges		142	243	413	500	300	300	300	869	301	111
Other materials	8		5,901	6,038	1,385	1,902	1,902	1,902	1,520	1,596	1,676
Contracted services		17,133	24,615	35,822	26,760	32,886	32,886	32,886	28,433	29,855	31,348
Transfers and subsidies		–	1,500	124	1,950	759	759	759	800	840	882
Other expenditure	4, 5	45,387	24,887	30,157	43,916	40,888	40,888	40,888	33,745	35,432	37,203
Losses			8,513	(1,269)							
Total Expenditure		**166,435**	**183,844**	**190,137**	**190,087**	**192,931**	**192,931**	**192,931**	**210,425**	**221,880**	**234,411**



The salary increase of 6.25% has been factored into the draft budget for 2020/21. This is in accordance with the current salary and wage collective agreement where it is stated that the increase for 2019/20 will be an inflation outlook as announced by the Reserve Bank's Monetary Policy Committee in its January 2019 report, plus 1.25 percent.

The total employee related costs for the 2021/21 financial year is R108 million which equites to 51 percent of total operational expenditure. While it should be noted that the municipality is experiencing financial challenges, no new positions have been funded, except where another vacant position has been sacrificed to fund it.

The cost associated with the **remuneration of councillors** is determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the municipality's budget. The councillors' remuneration amounts to 7 percent of the total operating expenditure.

The **provision of debt impairment** was determined based on an annual collection rate of 70 per cent together with Credit Control & Debt Collection Policy of the municipality and also the policy on provision for doubtful debt was used. For the 2020/21 financial year this amount equates to R4 million and escalates to R4.2 million by 2021/22 and R4.4 in 2022/23. While this expenditure is considered to be a non-cash flow item, it informs the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Property, plant and Equipment Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. Budget appropriations in this regard total R17.4 million for the 2020/21 financial. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Contracted services have been identified as a major cost driver for the municipality, as the bulk of the operations and maintenance of the buildings and infrastructure is outsourced. As part of the compilation of the 2020/21 MTREF this group of expenditure was critically evaluated and it was proposed at the Management Committee meeting that the municipality needs to acquire and implement a system that will correctly flag any operational inefficiencies that may be there in this contract. In the 2020/21 financial year, the contracted service is budgeted for at R28 million. It must be noted that some contract will be re-negotiated during 2020/21 financial year to ensure that they are pruned to meet the municipality's budget. As part of this review exercise, a business process reengineering process will commence in the 2020/21 financial year to identify alternative practices and procedures, including building in-house

capacity for certain activities that are currently being contracted out. The outcome of this exercise will be factored into the next budget cycle and it is envisaged that additional cost savings will be implemented.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. The budget in this line item for the 2020/21 financial year is R33 million, increasing to R35 million in the two outer years.

Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the municipality's Indigent Policy. Registration of indigents is an ongoing exercise and the Policy relating to indigents is reviewed on an annual basis and any proposed enhancements are forwarded to Council for approval. The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act. The municipality provide free basic electricity and bursaries to needy community.

1.6 Capital expenditure

Nongoma Municipality capital budget is funded by Integrated National Electrification Programme (INEP) and Municipal Infrastructure Grant (MIG). The MIG decreased with 1 percent from 2019/20 adjusted budget and INEP remained unchanged at R8 million.

	2019/2020 Adjusted Budget	**2020/2021 budget**	**% Change**	**2021/2022 budget**	**2022/2023 budget**
Capital Expenditure	46,266,350	38,244,599	-17%	42,179,000	42,009,000

As indicated in the above table, capital expenditure decreased by 17% percent from 2019/20 adjusted budget. The decrease is due to the procurement of municipal vehicle which was budgeted for in 2019/20 financial year.

The following table provides a breakdown of budgeted capital expenditure by vote: Table 7 2020/21 Medium-term capital budget per vote.

The table below indicates the capital budget per municipal vote for the three financial years of the 2020/21 MTREF.

CAPITAL EXPENDITURE BY VOTE

Name of the Project	Budget 2020/21	Funding
Nqokotho Hall	300,000.00	MIG
Ophaphasi Hall	800,000.00	MIG
Esikhaleni Roads	1,500,000.00	MIG
Ndololwane Crèche	363,347.33	MIG
Kwa-Nsele Crèche	1,417,628.40	MIG
Upgrading of Siyondlo gravel road	1,200,000.00	MIG
Sgubudu Community Hall (Ward 12)	331,713.63	MIG
Ekubuseni Crèche	100,000.00	MIG
Nongoma CBD Storm water Management Ward 19	4,000,000.00	MIG
Deleni Road Ward 16 & 19	2,416,500.00	MIG
White City Access Road	4,000,000.00	MIG
Nongoma CBD Sidewalks Ward 19	3,460,796.85	MIG
Nongoma Streetlights/Apollo	3,500,000.00	MIG
Nongoma Blacktop and Drainage system	3,074,932.85	MIG
Redhill Roads Ward 9	3,679,679.94	MIG
TOTAL	**30,144,599.00**	MIG
Mcakwini/ Nkukhwini Electrification (Phase 2)	4,000,000.00	INEP
Ebuhleni Electrification (Phase 2)	4,000,000.00	INEP
TOTAL ELECTRICATION PROJECTS	**8,000,000.00**	
Air Conditioners	**100,000.00**	**Own**
TOTAL CAPTIAL BUDGET	**38,244,599.00**	

1.4 Annual Budget Tables

The following tables present the main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2020/21 budget and MTREF as approved by the Council. Each table is accompanied by explanatory notes on the facing page.

Description	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Financial Performance										
Property rates	**19,507**	20,848	22,123	25,537	25,537	25,537	25,537	26,785	28,154	29,620
Service charges	1,723	1,824	1,881	2,123	1,760	1,760	1,760	1,848	1,940	2,037
Investment revenue	2,444	1,831	1,580	2,041	2,041	2,041	2,041	2,143	2,250	2,363
Transfers recognised - operational	124,758	131,847	141,954	162,773	160,178	160,178	160,178	171,159	179,809	188,997
Other own revenue	3,980	5,523	6,836	5,456	5,458	5,458	5,458	8,590	9,726	11,395
Total Revenue (excluding capital transfers and contributions)	152,413	161,873	174,375	197,930	194,974	194,974	194,974	210,525	221,880	234,411
Employee costs	73,795	84,112	94,542	89,491	90,309	90,309	90,309	108,244	115,009	122,197
Remuneration of councillors	13,185	13,815	13,532	15,487	15,487	15,487	15,487	15,366	16,327	17,347
Depreciation & asset impairment	12,817	17,931	20,018	9,599	9,599	9,599	9,599	17,448	18,321	19,237
Finance charges	142	243	413	500	300	300	300	869	301	111
Materials and bulk purchases	–	5,901	6,038	1,385	1,902	1,902	1,902	1,520	1,596	1,676
Transfers and grants	–	1,500	124	1,950	759	759	759	800	840	882
Other expenditure	66,496	60,341	55,470	71,675	74,575	74,575	74,575	66,178	69,487	72,961
Total Expenditure	166,435	183,844	190,137	190,087	192,931	192,931	192,931	210,425	221,880	234,411
Surplus/(Deficit)	(14,022)	(21,971)	(15,761)	7,843	2,043	2,043	2,043	100	0	0
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	44,416	57,542	31,330	39,873	31,873	31,873	31,873	31,679	34,179	36,009
Surplus/(Deficit) after capital transfers & contributions	30,394	35,571	15,569	47,716	33,916	33,916	33,916	31,779	34,179	36,009
Surplus/(Deficit) for the year	30,394	35,571	15,569	47,716	33,916	33,916	33,916	31,779	34,179	36,009
Capital expenditure & funds sources										
Capital expenditure	**46,706**	64,089	38,566	52,066	46,266	46,266	46,266	38,245	42,179	42,009
Transfers recognised - capital	**41,672**	58,378	38,566	39,873	39,873	39,873	39,873	38,145	42,179	42,009
Borrowing	**5,034**	5,711	–	4,350	4,350	4,350	4,350	–	–	–
Internally generated funds	**–**	–	–	7,843	2,043	2,043	2,043	100	–	–
Total sources of capital funds	**46,706**	64,089	38,566	52,066	46,266	46,266	46,266	38,245	42,179	42,009
Financial position										
Total current assets	**30,242**	31,700	52,215	51,744	52,138	52,138	52,138	62,558	73,795	88,011
Total non current assets	**333,789**	303,578	315,074	450,185	351,741	351,741	351,741	371,822	395,730	418,552
Total current liabilities	**21,617**	23,272	42,405	23,911	36,409	29,252	29,252	27,376	27,651	28,248
Total non current liabilities	**3,185**	10,901	10,161	14,393	20,375	20,375	20,375	17,370	18,125	19,514
Community wealth/Equity	**339,228**	301,105	314,722	463,625	347,094	354,252	354,252	389,633	423,749	458,802
Cash flows										
Net cash from (used) operating	**43,910**	44,210	36,428	47,039	45,800	45,800	45,800	42,202	45,114	47,474
Net cash from (used) investing	**(46,724)**	(45,849)	(31,353)	(47,716)	(42,791)	(42,791)	(42,791)	(38,245)	(42,179)	(42,009)
Net cash from (used) financing	**(54)**	103	–	(1,591)	(530)	(530)	(530)	(1,500)	–	–
Cash/cash equivalents at the year end	**3,678**	2,142	7,139	(2,268)	4,621	4,621	4,621	7,078	10,013	15,477
Cash backing/surplus reconciliation										
Cash and investments available	**3,678**	2,064	7,139	1,390	4,621	4,621	4,621	7,078	10,013	15,477
Application of cash and investments	**3,593**	(555)	10,072	(16,209)	(9,481)	(9,481)	(9,481)	(11,971)	(10,054)	(13,466)
Balance - surplus (shortfall)	**85**	2,619	(2,933)	17,599	14,102	14,102	14,102	19,049	20,066	28,943
Asset management										
Asset register summary (WDV)	**319,530**	319,531	335	335,363	335,363	335,363	335,363	38,245	42,179	42,009
Depreciation	**12,817**	17,931	20,018	9,599	9,599	9,599	9,599	17,448	18,321	19,237
Repairs and Maintenance	**–**	–	3,800	5,809	9,175	9,175	9,175	8,560	8,988	9,437
Free services										
Revenue cost of free services provided	**–**	–	–	540	540	540	595	595	595	625

Explanatory notes to Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).

2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.

3. Financial management reforms emphasize the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
    a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
    b. Capital expenditure is balanced by capital funding sources, of which
        i. Transfers recognized is reflected on the Financial Performance Budget;
        ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
        iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.

4. The Cash backing/surplus reconciliation (Table A9) shows that in previous financial years many of the municipal obligations were not cash-backed. This placed the municipality in a very vulnerable financial position, as the revenue collections were at a low level. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations.

Table 10 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Functional Classification Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Revenue - Functional										
Governance and administration		**147,280**	**143,816**	**152,392**	**187,603**	**187,753**	**187,753**	**202,296**	**215,293**	**227,498**
Executive and council		–	–	–	–	–	–	500	–	–
Finance and administration		147,280	143,816	152,392	187,603	187,753	187,753	201,796	215,293	227,498
Internal audit		–	–	–	–	–	–	–	–	–
Community and public safety		**1,384**	**29,331**	**2,351**	**3,105**	**2,360**	**2,360**	**3,270**	**3,449**	**3,619**
Community and social services		944	29,061	2,031	2,764	2,019	2,019	2,912	3,074	3,224
Sport and recreation		–	–	–	–	–	–	–	–	–
Public safety		440	270	319	341	341	341	358	376	395
Economic and environmental services		**45,587**	**43,526**	**33,058**	**44,028**	**34,030**	**34,030**	**33,799**	**34,335**	**36,172**
Planning and development		68	148	157	2,139	141	141	120	156	163
Road transport		45,519	43,378	32,901	41,889	33,889	33,889	33,679	34,179	36,009
Trading services		**1,790**	**1,904**	**17,018**	**2,123**	**1,760**	**1,760**	**1,848**	**1,940**	**2,037**
Energy sources		–	–	15,000	–	–	–	–	–	–
Waste management		1,790	1,904	2,018	2,123	1,760	1,760	1,848	1,940	2,037
Other	4	**787**	**838**	**886**	**945**	**945**	**945**	**992**	**1,041**	**1,093**
Total Revenue - Functional	2	**196,829**	**219,415**	**205,705**	**237,803**	**226,847**	**226,847**	**242,204**	**256,059**	**270,420**
Expenditure - Functional										
Governance and administration		**88,535**	**99,478**	**81,689**	**115,136**	**112,054**	**112,054**	**122,942**	**133,186**	**141,608**
Executive and council		36,611	37,704	31,835	38,241	39,502	39,502	35,399	37,496	39,719
Finance and administration		51,924	61,774	49,854	76,895	72,552	72,552	87,543	95,690	101,889
Community and public safety		**34,557**	**47,717**	**25,782**	**39,719**	**44,185**	**44,185**	**52,575**	**51,692**	**53,581**
Community and social services		26,274	39,282	15,811	29,249	32,719	32,719	38,185	36,402	37,336
Public safety		8,282	8,435	9,970	10,469	11,466	11,466	14,390	15,290	16,245
Economic and environmental services		**27,378**	**21,826**	**61,201**	**23,100**	**25,024**	**25,024**	**22,224**	**23,525**	**24,903**
Planning and development		9,235	13,114	8,184	10,324	8,634	8,634	10,006	10,593	11,214
Road transport		18,143	8,712	53,017	12,777	16,390	16,390	12,218	12,932	13,688
Trading services		**11,944**	**12,453**	**21,465**	**8,813**	**8,363**	**8,363**	**8,997**	**9,559**	**10,156**
Waste management		11,944	12,453	21,465	8,813	8,363	8,363	8,997	9,559	10,156
Other	4	**4,021**	**2,370**	**–**	**3,318**	**3,304**	**3,304**	**3,688**	**3,918**	**4,163**
Total Expenditure - Functional	3	**166,435**	**183,844**	**190,137**	**190,087**	**192,931**	**192,931**	**210,425**	**221,880**	**234,411**
Surplus/(Deficit) for the year		**30,394**	**35,571**	**15,569**	**47,716**	**33,916**	**33,916**	**31,779**	**34,179**	**36,009**

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms if each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognized – capital) and so does not balance to the operating revenue shown on Table A4 on page 26.

3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.

4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Budget and Treasury Office.

Table MBRR 11 Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Revenue by Vote	1									
Vote 1 - Governance and Administration		–	–	–	–	–	–	500	–	–
Vote 2 - Financial Service		146,737	143,816	151,817	186,997	187,148	187,148	201,160	214,626	226,796
Vote 3 - Corporate Services		–	–	575	605	605	605	635	667	702
Vote 4 - Sport, Recreation and Community Services		944	29,061	2,031	2,764	2,019	2,019	2,912	3,074	3,224
Vote 5 - Economic and Environmental Services		45,587	43,526	48,058	44,028	34,030	34,030	33,799	34,335	36,172
Vote 6 - Transport and Roads		787	838	886	945	944	944	992	1,041	1,093
Vote 7 - Safety and Security		983	270	319	341	341	341	358	376	395
Vote 8 - Solid Waste Management		1,790	1,904	2,018	2,123	1,760	1,760	1,848	1,940	2,037
Total Revenue by Vote	2	**196,829**	**219,415**	**205,705**	**237,803**	**226,847**	**226,847**	**242,204**	**256,059**	**270,420**
Expenditure by Vote ***to be appropriated***	1									
Vote 1 - Governance and Administration		25,965	36,326	31,835	38,241	39,502	39,502	35,399	37,496	39,719
Vote 2 - Financial Service		36,892	40,490	22,622	43,784	44,192	44,192	58,951	65,348	69,812
Vote 3 - Corporate Services		19,847	20,034	27,232	33,111	28,360	28,360	28,591	30,342	32,077
Vote 4 - Sport, Recreation and Community Services		25,685	19,839	15,811	29,249	32,719	32,719	38,185	36,402	37,336
Vote 5 - Economic and Environmental Services		22,930	35,365	42,109	21,329	25,024	25,024	20,884	22,101	23,391
Vote 6 - Transport and Roads		13,870	13,197	19,092	4,633	2,847	2,847	4,536	4,820	5,121
Vote 7 - Safety and Security		9,377	3,025	9,970	10,469	11,466	11,466	14,390	15,290	16,245
Vote 8 - Solid Waste Management		11,344	15,211	21,465	8,813	8,363	8,363	8,997	9,559	10,156
Vote 9 - Tourism		525	357	–	457	457	457	491	522	555
Total Expenditure by Vote	2	**166,435**	**183,844**	**190,137**	**190,087**	**192,931**	**192,931**	**210,425**	**221,880**	**234,411**
Surplus/(Deficit) for the year	2	**30,394**	**35,571**	**15,569**	**47,716**	**33,916**	**33,916**	**31,779**	**34,179**	**36,009**

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the waste management services

Table 12 MBRR Table A4- Budgeted Financial Performance (revenue and expenditure)

KZN265 Nongoma - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue &		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Revenue By Source											
Property rates	2	19,507	20,848	22,123	25,537	25,537	25,537	25,537	26,785	28,154	29,620
Service charges - refuse revenue	2	1,723	1,824	1,881	2,123	1,760	1,760	1,760	1,848	1,940	2,037
Rental of facilities and equipment		167	234	196	277	280	280	280	294	308	324
Interest earned - external investments		2,444	1,831	1,580	2,041	2,041	2,041	2,041	2,143	2,250	2,363
Interest earned - outstanding debtors			2,979	3,519	2,735	2,735	2,735	2,735	2,872	3,016	3,166
Fines, penalties and forfeits		268	274	435	346	346	346	346	363	381	400
Licences and permits		869	838	926	945	945	945	945	992	1,041	1,093
Agency services		–	–		–	–	–	–	–	–	–
Transfers and subsidies		124,758	131,847	141,954	162,773	160,178	160,178	160,178	171,159	179,809	188,997
Other revenue	2	2,676	1,198	1,760	1,153	1,153	1,153	1,153	4,069	4,980	6,411
Total Revenue (excluding capital transfers and contributions)		**152,413**	**161,873**	**174,375**	**197,930**	**194,974**	**194,974**	**194,974**	**210,525**	**221,880**	**234,411**
Expenditure By Type											
Employee related costs	2	73,795	84,112	94,542	89,491	90,309	90,309	90,309	108,244	115,009	122,197
Remuneration of councillors		13,185	13,815	13,532	15,487	15,487	15,487	15,487	15,366	16,327	17,347
Debt impairment	3	3,977	2,326	(9,239)	1,000	800	800	800	4,000	4,200	4,410
Depreciation & asset impairment	2	12,817	17,931	20,018	9,599	9,599	9,599	9,599	17,448	18,321	19,237
Finance charges		142	243	413	500	300	300	300	869	301	111
Other materials	8		5,901	6,038	1,385	1,902	1,902	1,902	1,520	1,596	1,676
Contracted services		17,133	24,615	35,822	26,760	32,886	32,886	32,886	28,433	29,855	31,348
Transfers and subsidies		–	1,500	124	1,950	759	759	759	800	840	882
Other expenditure	4, 5	45,387	24,887	30,157	43,916	40,888	40,888	40,888	33,745	35,432	37,203
Losses			8,513	(1,269)							
Total Expenditure		**166,435**	**183,844**	**190,137**	**190,087**	**192,931**	**192,931**	**192,931**	**210,425**	**221,880**	**234,411**
Surplus/(Deficit)		**(14,022)**	**(21,971)**	**(15,761)**	**7,843**	**2,043**	**2,043**	**2,043**	**100**	**0**	**0**
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		44,416	57,542	31,330	39,873	31,873	31,873	31,873	31,679	34,179	36,009
Transfers and subsidies - capital (in-kind - all)											
Surplus/(Deficit) after capital transfers & contributions		**30,394**	**35,571**	**15,569**	**47,716**	**33,916**	**33,916**	**33,916**	**31,779**	**34,179**	**36,009**
Taxation											
Surplus/(Deficit) after taxation		**30,394**	**35,571**	**15,569**	**47,716**	**33,916**	**33,916**	**33,916**	**31,779**	**34,179**	**36,009**
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		**30,394**	**35,571**	**15,569**	**47,716**	**33,916**	**33,916**	**33,916**	**31,779**	**34,179**	**36,009**
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		**30,394**	**35,571**	**15,569**	**47,716**	**33,916**	**33,916**	**33,916**	**31,779**	**34,179**	**36,009**

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R194 million in 2019/20 and escalates to R210million by 2020/21. This represents an increase of 8.2 % over the medium term.

2. The salary increase of 6.25% has been factored into the draft budget for 2020/21. This is in accordance with the current salary and wage collective agreement where it is stated that the increase for 2020/21 will be an inflation outlook as announced by the Reserve Bank's Monetary Policy Committee in its January 2019 report, plus 1.25%.

3. The total employee related costs for the 2020/21 financial year is R108 million. While it should be noted that the municipality is experiencing financial challenges, there are positions that are critical for the proper functioning of the municipality.

4. The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the municipality's budget.

5. The provision of debt impairment was determined based on an annual collection rate of 70 per cent together with Credit Control & Debt Collection Policy of the municipality and the provision for doubtful debt policy. For the 2020/21 financial year this amount equates to R4 million and escalates to R4.2 million by 2021/22. While this expenditure is considered to be a non-cash flow item, it informs the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

6. Provision for depreciation and asset impairment has been informed by the Municipality's Property, plant and Equipment Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. Budget appropriations in this regard total R17 million for the 2020/21 financial. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

7. Contracted services have been identified as a major cost driver for the municipality, as the bulk of the operations and maintenance of the buildings and infrastructure is outsourced. As part of the compilation of the 2020/21 MTREF this group of expenditure was

critically evaluated and it was proposed at the Management Committee meeting that the municipality needs to acquire and implement a system that will correctly flag any operational inefficiencies that may be there in this contract. In the 2020/21 financial year, the contracted service is budgeted for at R28 million. It must be noted that some contract will be re-negotiated during 2020/21 financial year to ensure that they are pruned to meet the municipality's budget. As part of this review exercise, a business process reengineering process will commence in the 2020/21 financial year to identify alternative practices and procedures, including building in-house capacity for certain activities that are currently being contracted out. The outcome of this exercise will be factored into the next budget cycle and it is envisaged that additional cost savings will be implemented.

10. **Other expenditure** comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. The budget in this line item for the 2020/21 financial year is R33 million, increasing to R35 million in the two outer years.

Table 13 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue &		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Capital expenditure - Vote											
Multi-year expenditure ***to be appropriated***	2										
Vote 5 - Economic and Environmental Services		46,561	60,928	38,566	45,873	39,873	39,873	39,873	38,145	42,179	42,009
Capital multi-year expenditure sub-total	7	**46,561**	**60,928**	**38,566**	**45,873**	**39,873**	**39,873**	**39,873**	**38,145**	**42,179**	**42,009**
Single-year expenditure ***to be appropriated***	2										
Vote 1 - Governance and Administration		–	–	–	1,920	1,920	1,920	1,920	–	–	–
Vote 2 - Financial Service		145	93	–	104	104	104	104	–	–	–
Vote 3 - Corporate Services		–	368	–	1,376	1,576	1,576	1,576	–	–	–
Vote 4 - Sport, Recreation and Community Services		–	700	–	295	295	295	295	–	–	–
Vote 5 - Economic and Environmental Services		–	–	–	920	920	920	920	100	–	–
Vote 6 - Transport and Roads		–	–	–	–	–	–	–	–	–	–
Vote 7 - Safety and Security		–	1,000	–	1,328	1,328	1,328	1,328	–	–	–
Vote 8 - Solid Waste Management		–	1,000	–	250	250	250	250	–	–	–
Capital single-year expenditure sub-total		**145**	**3,161**	**–**	**6,193**	**6,393**	**6,393**	**6,393**	**100**	**–**	**–**
Total Capital Expenditure - Vote		**46,706**	**64,089**	**38,566**	**52,066**	**46,266**	**46,266**	**46,266**	**38,245**	**42,179**	**42,009**
Capital Expenditure - Functional											
Governance and administration		**145**	**2,011**	**–**	**3,400**	**3,600**	**3,600**	**3,600**	**–**	**–**	**–**
Executive and council					1,920	1,920	1,920	1,920	–	–	–
Finance and administration		145	2,011		1,480	1,680	1,680	1,680	–	–	–
Community and public safety		**–**	**1,700**	**–**	**1,623**	**1,623**	**1,623**	**1,623**	**–**	**–**	**–**
Community and social services			700		295	295	295	295	–	–	–
Public safety			1,000		1,328	1,328	1,328	1,328	–	–	–
Economic and environmental services		**46,561**	**59,378**	**38,566**	**38,793**	**32,793**	**32,793**	**32,793**	**30,245**	**34,179**	**36,009**
Planning and development		4,890	1,000								
Road transport		41,672	58,378	38,566	38,793	32,793	32,793	32,793	30,245	34,179	36,009
Trading services		**–**	**1,000**	**–**	**8,250**	**8,250**	**8,250**	**8,250**	**8,000**	**8,000**	**6,000**
Energy sources					8,000	8,000	8,000	8,000	8,000	8,000	6,000
Water management			1,000		250	250	250	250			
Total Capital Expenditure - Functional	3	**46,706**	**64,089**	**38,566**	**52,066**	**46,266**	**46,266**	**46,266**	**38,245**	**42,179**	**42,009**
Funded by:											
National Government		41,672	58,378	38,566	39,873	39,873	39,873	39,873	38,145	42,179	42,009
Provincial Government											
Transfers recognised - capital	4	**41,672**	**58,378**	**38,566**	**39,873**	**39,873**	**39,873**	**39,873**	**38,145**	**42,179**	**42,009**
Borrowing	6	5,034	5,711		4,350	4,350	4,350	4,350	–	–	–
Internally generated funds					7,843	2,043	2,043	2,043	100	–	–
Total Capital Funding	7	**46,706**	**64,089**	**38,566**	**52,066**	**46,266**	**46,266**	**46,266**	**38,245**	**42,179**	**42,009**

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

As indicated in the above table, capital expenditure decreased by 17% percent from 2019/20 adjusted budget. The decrease is due to the procurement of municipal vehicle which was budgeted for in 2019/20 financial year.

Table 14 MBRR Table A6 -Budgeted Financial Position

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue &		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
ASSETS											
Current assets											
Cash		3,678	2,064	7,139	1,390	4,621	4,621	4,621	7,078	10,013	15,477
Call investment deposits	1										
Consumer debtors	1	26,564	26,366	43,039	48,855	46,017	46,017	46,017	53,479	61,324	69,577
Other debtors			3,270	2,037	1,500	1,500	1,500	1,500	2,000	2,459	2,957
Total current assets		**30,242**	**31,700**	**52,215**	**51,744**	**52,138**	**52,138**	**52,138**	**62,558**	**73,795**	**88,011**
Non current assets											
Property, plant and equipment	3	333,789	302,810	314,829	449,724	351,496	351,496	351,496	371,522	395,380	418,152
Biological											
Intangible			768	245	461	245	245	245	300	350	400
Other non-current assets											
Total non current assets		**333,789**	**303,578**	**315,074**	**450,185**	**351,741**	**351,741**	**351,741**	**371,822**	**395,730**	**418,552**
TOTAL ASSETS		**364,030**	**335,278**	**367,288**	**501,929**	**403,879**	**403,879**	**403,879**	**434,379**	**469,525**	**506,564**
LIABILITIES											
Current liabilities											
Borrowing	4	–	188	138	–	667	667	667	1,493	–	–
Consumer deposits											
Trade and other payables	4	21,617	22,920	42,156	17,000	28,585	28,585	28,585	25,883	27,651	28,248
Provisions			163	112	6,911	7,157					
Total current liabilities		**21,617**	**23,272**	**42,405**	**23,911**	**36,409**	**29,252**	**29,252**	**27,376**	**27,651**	**28,248**
Non current liabilities											
Borrowing		–	–	184	10,893	6,371	6,371	6,371	1,682	–	–
Provisions		3,185	10,901	9,977	3,500	14,005	14,005	14,005	15,688	18,125	19,514
Total non current liabilities		**3,185**	**10,901**	**10,161**	**14,393**	**20,375**	**20,375**	**20,375**	**17,370**	**18,125**	**19,514**
TOTAL LIABILITIES		**24,802**	**34,173**	**52,566**	**38,305**	**56,784**	**49,627**	**49,627**	**44,746**	**45,776**	**47,762**
NET ASSETS	5	**339,228**	**301,105**	**314,722**	**463,625**	**347,094**	**354,252**	**354,252**	**389,633**	**423,749**	**458,802**
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		339,228	301,105	314,722	463,625	347,094	354,252	354,252	389,633	423,749	458,802
TOTAL COMMUNITY WEALTH/EQ	5	**339,228**	**301,105**	**314,722**	**463,625**	**347,094**	**354,252**	**354,252**	389,633	423,749	458,802

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).

2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. Table A6 is supported by an extensive table of notes (SA3 which can be found on page53) providing a detailed analysis of the major components of a number of items, including:
   - Call investments deposits;
   - Consumer debtors;
   - Property, plant and equipment;
   - Trade and other payables;
   - Provisions non-current;
   - Changes in net assets; and
   - Reserves

4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Explanatory notes to Table A7 - Budgeted Cash Flow Statement.

KZN265 Nongoma - Table A7 Budgeted Cash Flows

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		15,039	17,518	19,653	17,876	22,983	22,983	22,983	18,750	19,708	20,734
Service charges		1,723	1,824	1,197	1,486	792	792	792	1,294	1,358	1,426
Other revenue		345	2,991	1,102	2,478	2,465	2,465	2,465	5,355	2,474	2,599
Transfers and Subsidies - Operational	1	124,672	131,985	156,915	162,773	160,178	160,178	160,178	171,159	179,809	188,997
Transfers and Subsidies - Capital	1	44,456	57,542	31,330	39,873	39,873	39,873	39,873	31,679	34,179	36,009
Interest		1,663	1,556	1,580	2,041	2,041	2,041	2,041	2,143	2,250	2,363
Payments											
Suppliers and employees		(143,845)	(168,964)	(175,349)	(177,038)	(181,473)	(181,473)	(181,473)	(186,508)	(193,524)	(203,661)
Finance charges		(142)	(243)		(500)	(300)	(300)	(300)	(869)	(301)	(111)
Transfers and Grants	1				(1,950)	(759)	(759)	(759)	(800)	(840)	(882)
NET CASH FROM/(USED) OPERATING ACTIVITIES		**43,910**	**44,210**	**36,428**	**47,039**	**45,800**	**45,800**	**45,800**	**42,202**	**45,114**	**47,474**
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE									–	–	–
Decrease (increase) in non-current receivables		(18)	(2)	208		3,475	3,475	3,475	–	–	–
Decrease (increase) in non-current investments									–	–	–
Payments											
Capital assets		(46,706)	(45,848)	(31,562)	(47,716)	(46,266)	(46,266)	(46,266)	(38,245)	(42,179)	(42,009)
NET CASH FROM/(USED) INVESTING ACTIVITIES		**(46,724)**	**(45,849)**	**(31,353)**	**(47,716)**	**(42,791)**	**(42,791)**	**(42,791)**	**(38,245)**	**(42,179)**	**(42,009)**
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Increase (decrease) in consumer deposits			103						–	–	–
Payments											
Repayment of borrowing		(54)			(1,591)	(530)	(530)	(530)	(1,500)	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES		**(54)**	**103**	**–**	**(1,591)**	**(530)**	**(530)**	**(530)**	**(1,500)**	**–**	**–**
NET INCREASE/ (DECREASE) IN CASH HELD		**(2,868)**	**(1,536)**	**5,075**	**(2,268)**	**2,479**	**2,479**	**2,479**	**2,457**	**2,935**	**5,465**
Cash/cash equivalents at the year begin:	2	**6,546**	**3,678**	**2,064**		**2,142**	**2,142**	**2,142**	**4,621**	**7,078**	**10,013**
Cash/cash equivalents at the year end:	2	**3,678**	**2,142**	**7,139**	**(2,268)**	**4,621**	**4,621**	**4,621**	**7,078**	**10,013**	**15,477**

Explanatory notes to Table A7 - Budgeted Cash Flow Statement 1.

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

3. The budgeted cash/cash equivalents are R7m, R10m and R15m for the 2020/2021, 2021/2022 and 2022/2023 financial years respectively.

Table 16 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue &		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Cash and investments available											
Cash/cash equivalents at the year end	1	3,678	2,142	7,139	(2,268)	4,621	4,621	4,621	7,078	10,013	15,477
Other current investments > 90 days		0	(78)	–	3,657	(0)	(0)	(0)	–	–	–
Non current assets - Investments	1	–	–	–	–	–	–	–	–	–	–
Cash and investments available:		**3,678**	**2,064**	**7,139**	**1,390**	**4,621**	**4,621**	**4,621**	**7,078**	**10,013**	**15,477**
Application of cash and investments											
Unspent conditional transfers		175	1,007	449	–	–	–	–	–	–	–
Statutory requirements	2										
Other working capital requirements	3	3,419	(1,561)	9,623	(16,209)	(9,481)	(9,481)	(9,481)	(11,971)	(10,054)	(13,466)
Total Application of cash and investments:		**3,593**	**(555)**	**10,072**	**(16,209)**	**(9,481)**	**(9,481)**	**(9,481)**	**(11,971)**	**(10,054)**	**(13,466)**
Surplus(shortfall)		**85**	**2,619**	**(2,933)**	**17,599**	**14,102**	**14,102**	**14,102**	**19,049**	**20,066**	**28,943**

Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 58 – Funding a Municipal Budget.

2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.

3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".

4. Compliance with section 18 of the MFMA is assumed because a surplus would indicate that the annual budget is appropriately funded.

5. The budget for the MTREF 2020/21 to 2022/23 with a positive surplus of R19.0, R20.0 and R28.9 million is appropriately funded.

Table 17 MBRR Table A9 - Asset Management

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue &		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
CAPITAL EXPENDITURE										
Total New Assets	1	46,706	64,089	38,566	52,066	46,266	46,266	38,245	42,179	42,009
Roads Infrastructure		46,706	58,378	38,566	38,793	32,793	32,793	30,145	34,179	36,009
Electrical Infrastructure		–	–	–	8,000	8,000	8,000	8,000	8,000	6,000
Infrastructure		*46,706*	*59,378*	*38,566*	*46,793*	*40,793*	*40,793*	*38,145*	*42,179*	*42,009*
Community Facilities		–	2,000	–	–	–	–	–	–	–
Community Assets		–	*2,000*	–	–	–	–	–	–	–
Computer Equipment		–	200	–	443	200	200	–	–	–
Furniture and Office Equipment		–	500	–	300	223	223	–	–	–
Machinery and Equipment		–	511	–	180	700	700	100	–	–
Transport Assets		–	1,500	–	4,350	4,350	4,350	–	–	–
Total Capital Expenditure	4	46,706	64,089	38,566	52,066	46,266	46,266	38,245	42,179	42,009
Roads Infrastructure		46,706	58,378	38,566	38,793	32,793	32,793	30,145	34,179	36,009
Storm water Infrastructure		–	–	–	–	–	–	–	–	–
Electrical Infrastructure		–	–	–	8,000	8,000	8,000	8,000	8,000	6,000
Solid Waste Infrastructure		–	1,000	–	–	–	–	–	–	–
Infrastructure		*46,706*	*59,378*	*38,566*	*46,793*	*40,793*	*40,793*	*38,145*	*42,179*	*42,009*
Community Facilities		–	2,000	–	–	–	–	–	–	–
Community Assets		–	*2,000*	–	–	–	–	–	–	–
Computer Equipment		–	200	–	443	200	200	–	–	–
Furniture and Office Equipment		–	500	–	300	223	223	–	–	–
Machinery and Equipment		–	511	–	180	700	700	100	–	–
Transport Assets		–	1,500	–	4,350	4,350	4,350	–	–	–
TOTAL CAPITAL EXPENDITURE - Asset class		46,706	64,089	38,566	52,066	46,266	46,266	38,245	42,179	42,009

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The municipality does not have major assets that need to be renewed. The MIG and electricity projects capital projects that are being undertaken at this stage are fairly new and will probably not be

renewed during the current MTREF. It is for the same reason that the budget for repairs and maintenance is not 8% of the net asset value of the municipality's property, plant and equipment.

Table 18 MBRR Table A10 - Basic Service Delivery Measurement

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue &		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Property rates exemptions, reductions and rebates **and impermissable values in excess of section 17 of MPRA)**		–	–	–	540	540	540	595	595	625
Water **(in excess of 6 kilolitres per indigent household per month)**		–	–	–	–	–	–	–	–	–
Sanitation **(in excess of free sanitation service to indigent households)**		–	–	–	–	–	–	–	–	–
Electricity/other energy **(in excess of 50 kwh per indigent household per**		–	–	–	–	–	–	400	420	441
Refuse **(in excess of one removal a week for indigent households)**		–	–	–	–	–	–		–	–
Total revenue cost of subsidised services provided		**–**	**–**	**–**	**540**	**540**	**540**	**595**	**595**	**625**

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The Municipality has a huge backlog of basic services delivery. The services such as water and sanitation are the responsibility of the Zululand District Municipality whilst ESKOM has been appointed as the prime supplier of electricity reticulation in Nongoma**.**

- **Electricity**

  ESKOM has been appointed as the prime supplier of electricity reticulation in Nongoma and the existing bulk supply is being upgraded to meet the existing and future demands of Nongoma town and the surrounding areas. The municipality area is covered by metered electricity supply whilst those areas in the former Tribal Areas are served with pre-paid electricity supply as well as metered electricity supply in selected areas.

- **Refuse**

There are no formal refuse removal services or refuse dumps in the rural areas of Nongoma. There is a landfill site in Nongoma Town which is almost full. However, it should be noted that in the town this function is being investigated with a view to realizing greater efficiencies.

3. The Free Basic Services will cost the municipality R400 thousand in 2020/21.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee are to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritized in the allocation of resources.

2.2.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 15) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled an IDP/Budget Process Plan during August 2018 as required by the MFMA. The Key dates applicable to the process were:

- **23 January 2020** - Council considers the 2019/20 Mid-year and performance assessment.
- **27 February 2020**- Council revised budget
- **12 February 2020** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **19 February 2020** – Commencing the departmental budget consolidation process and the budget and treasury office commence preparation of draft budget for the 2020/21 financial period.
- **25 March 2020** - Tabling in Council of the draft 2020/21 IDP and 2022/23 MTREF for public consultation;
- **April 2020** – Public consultation commences
- **29 April 2020** - Closing date for written comments;
- **2 to 13 May 2020** – finalization of the 2020/21 IDP and 2021/22 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **31 May 2020** - Tabling of the 2020/21 MTREF before Council for consideration and approval.

2.2.2 IDP and Service Delivery and Budget Implementation Plan

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fifth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

2.2.3 Financial Modeling and Key Planning Drivers

As part of the compilation of the 2020/21 MTREF, an extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2020/21 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends
- Performance trends

- The approved 2019/20 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 93 and 94 – budget circulars - has been taken into consideration in the planning and prioritisation process.

2.2.4 Community Consultation

The 2020/21 draft budget and MTREF after being tabled before Council for approval on 25 March 2020 was made available at municipal offices and municipal library for public comments. In addition to that, consultation process included invitation of the community to the IDP/Budget Road shows as planned.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs. Also Ward Committees will play a vital role in facilitating the community consultation process.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant consider as part of the finalisation of the 2020/21 MTREF.

2.3 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2016 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

In January 2010 government adopted twelve outcomes underpinning its long term development strategy as a key focus of work to be done between now and 2015.Each of the 12 outcomes has a delivery agreement that in most cases involve all spheres of government and a range of partners outside government. Combined, these agreements reflect Government's delivery and implementation plans for its foremost priorities. The Medium Term Strategic Framework (MTSF) of Government identifies a number of priorities that are based on the electoral mandate. The outcomes-based approach further identifies the 12 desired outcomes of Government. These are:

1. Improved quality of basic education.
2. A long and healthy life for all South Africans.
3. All people in South Africa are and feel safe.
4. Decent employment through inclusive economic growth.
5. A skilled and capable workforce to support an inclusive growth path.
6. An efficient, competitive and responsive economic infrastructure network.
7. Vibrant, equitable and sustainable rural communities with food security for all.
8. Sustainable human settlements and improved quality of household life.
9. A responsive, accountable, effective and efficient local government system.
10. Environmental assets and natural resources that are well protected and continually enhanced.
11. Creating a better South Africa and contributing to a better and safer Africa in a better world.
12. An efficient, effective and development-oriented public service and an empowered, fair and inclusive citizenship.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only

give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2020/21 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 22 IDP Strategic Objectives

	2020/21 MTREF
1.	Provision of quality basic services and infrastructure
2.	Economic growth and development that leads to sustainable job creation
3.1	Fight poverty and build clean, healthy, safe and sustainable communities
3.2	Integrated Social Services for empowered and sustainable communities
4.	Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service
5.1	Promote sound governance
5.2	Ensure financial sustainability
5.3	Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
    - Provide electricity (through Eskom)
    - Provide water (through District Municipality)
    - Provide sanitation (through District Municipality)
    - Provide solid waste removal
    - Provide housing (through Department of Human Settlements)
    - Provide roads and storm water

- Provide municipality planning services; and
- Maintaining the infrastructure of the municipality.

2. Economic growth and development that leads to sustainable job creation by:
    - Ensuring there is a clear structural plan for the municipality;
    - Ensuring planning processes function in accordance with set timeframes;
    - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.

3.1 Fight poverty and build clean, healthy, safe and sustainable communities:

- Effective implementation of the Indigent Policy;
- Extending waste removal services and ensuring effective municipality cleansing;
- Working with strategic partners such as SAPS to address crime;
- Ensuring save working environments by effective enforcement of building and health regulations;
- Promote viable, sustainable communities through proper zoning.

3.2 Integrated Social Services for empowered and sustainable communities

- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme

KZN265 Nongoma - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

Strategic Objective	Goal	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Provide sound democratic and accountable governance that promotes effective communication; financial viability and optimal institutional transformation.	Providing oversight over the administration of the municipality; reviewing financial reports and performance reports; review of the organisational structure to optimise the use of personnel.	39,365	43,883	40,826	47,560	45,369	45,369	48,440	51,211	54,084
Provide quality basic services and infrastructure.	Provision of waste removal; roads and storm water; town planning services and maintaining the assets and infrastructure of the town.	39,365	43,883	40,826	47,560	45,369	45,369	48,440	51,211	54,084
Foster participatory democracy and Batho Pele through caring, accessible and accountable service.	Optimising effective community participation in the ward committee system; and the implementation of Batho pele in the revenue management strategy.	39,365	43,883	40,826	47,560	45,369	45,369	48,440	51,211	54,084
Fight proverty and build clean, healthy, safe sustainable communities as well as ensure integrated social services for communities.	Effective implementation of indingent policy, working with Health Organisations to implement HIV/AIDS Awareness Campaigns; extending waste removal services; and ensuring the landfill site meets the environmental requirements; ensuring the protection servi	39,365	43,883	40,826	47,560	45,369	45,369	48,440	51,211	54,084
Economic growth and development that leads to sustainable job creation.	Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.	39,369	43,883	42,401	47,563	45,371	45,371	48,444	51,215	54,084
Allocations to other priorities										
Total Revenue (excluding capital transfers and contribu		**196,829**	**219,415**	**205,705**	**237,803**	**226,847**	**226,847**	**242,204**	**256,059**	**270,420**

KZN265 Nongoma - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	Goal	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Provide sound democratic and accountable governance that promotes effective communication; financial viability and optimal institutional transformation.	Providing oversight over the administration of the municipality; reviewing financial reports and performance reports; review of the organisational structure to optimise the use of personnel.		33,287	36,768	38,416	38,017	38,586	38,586	42,085	44,376	46,882
Provide quality basic services and infrastructure.	Provision of waste removal; roads and storm water; town planning services and maintaining the assets and infrastructure of the town.		33,287	36,768	38,416	38,017	38,586	38,586	42,085	44,376	46,882
Foster participatory democracy and Batho Pele through caring, accessible and accountable service.	Optimising effective community participation in the ward committee system; and the implementation of Batho pele in the revenue management strategy.		33,287	36,768	38,416	38,017	38,586	38,586	42,085	44,376	46,882
Fight proverty and build clean, healthy, safe sustainable communities as well as ensure integrated social services for communities.	Effective implementation of indingent policy, working with Health Organisations to implement HIV/AIDS Awareness Campaigns; extending waste removal services; and ensuring the landfill site meets the environmental requirements; ensuring the protection servi the environmental requirements; and ensuring the protection services and disaster management are operating effectively.		33,287	36,768	38,416	38,017	38,586	38,586	42,085	44,376	46,882
Economic growth and development that leads to sustainable job creation.	Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.		33,287	36,772	36,473	38,019	38,587	38,587	42,085	44,376	46,884
Allocations to other priorities											
Total Expenditure		1	**166,435**	**183,844**	**190,137**	**190,087**	**192,931**	**192,931**	**210,425**	**221,880**	**234,412**

Table 25MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

KZN265 Nongoma - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

Strategic Objective	Goal	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Provide sound democratic and accountable governance that promotes effective communication; financial viability and optimal institutional transformation.	Providing oversight over the administration of the municipality; reviewing financial reports and performance reports; review of the organisational structure to optimise the use of personnel.	9,341	12,817	7,713	10,413	9,253	9,253	7,649	8,435	8,402
Provide quality basic services and infrastructure.	Provision of waste removal; roads and storm water; town planning services and maintaining the assets and infrastructure of the town.	9,341	12,817	7,713	10,413	9,253	9,253	7,649	8,435	8,402
Foster participatory democracy and Batho Pele through caring, accessible and accountable service.	Optimising effective community participation in the ward committee system; and the implementation of Batho pele in the revenue management strategy.	9,341	12,817	7,713	10,413	9,253	9,253	7,649	8,435	8,402
Fight proverty and build clean, healthy, safe sustainable communities as well as ensure integrated social services for communities.	Effective implementation of indingent policy, working with Health Organisations to implement HIV/AIDS Awareness Campaigns; extending waste removal services; and ensuring the landfill site meets the environmental requirements; ensuring the protection servi	9,341	12,817	7,713	10,413	9,253	9,253	7,649	8,435	8,402
Economic growth and development that leads to sustainable job creation.	Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.	9,342	12,821	7,714	10,414	9,254	9,254	7,649	8,439	8,402
Allocations to other priorities										
Total Capital Expenditure		**46,706**	**64,089**	**38,566**	**52,066**	**46,266**	**46,266**	**38,245**	**42,179**	**42,009**

2.4 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has for the first time developed and implemented a performance management system. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

The planning, budgeting and reporting cycle can be graphically illustrated as follows:

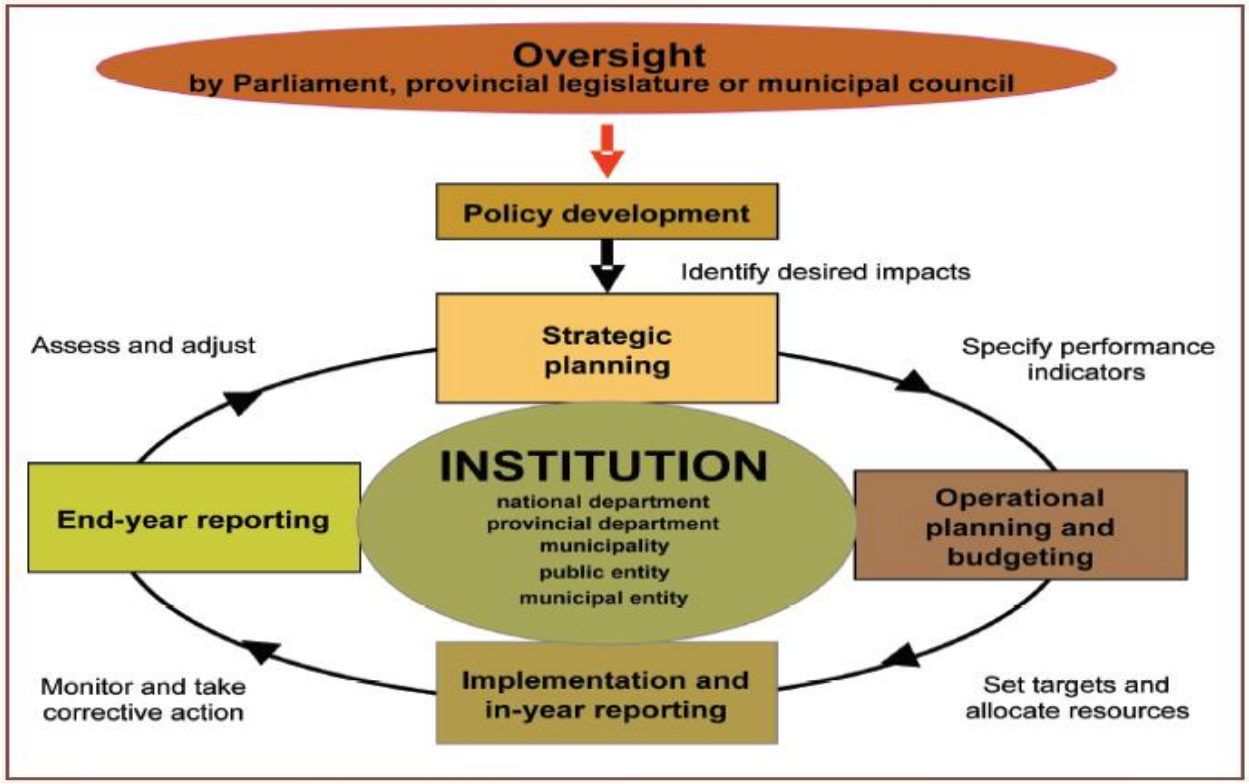


Figure 1Planning, budgeting and reporting cycle

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the ***Framework of Managing Programme Performance Information*** issued by the National Treasury:

Table 27MBRR Table SA8 - Performance indicators and benchmarks

KZN265 Nongoma - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Borrowing Management											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.1%	0.1%	0.2%	1.1%	0.4%	0.4%	0.4%	1.1%	0.1%	0.0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	0.7%	0.8%	1.3%	5.9%	2.4%	2.4%	2.4%	6.0%	0.7%	0.2%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Safety of Capital											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Liquidity											
Current Ratio	Current assets/current liabilities	1.4	1.4	1.2	2.2	1.4	1.8	1.8	2.3	2.7	3.1
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.4	1.4	1.2	2.2	1.4	1.8	1.8	2.3	2.7	3.1
Liquidity Ratio	Monetary Assets/Current Liabilities	0.2	0.1	0.2	0.1	0.1	0.2	0.2	0.3	0.4	0.5
Revenue Management											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		78.9%	85.3%	87.7%	70.0%	99.8%	99.8%	99.8%	70.0%	70.0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		79.0%	85.3%	86.9%	70.0%	87.1%	87.1%	87.1%	70.0%	70.0%	70.0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	17.4%	18.3%	25.8%	25.4%	24.4%	24.4%	24.4%	26.4%	28.7%	30.9%

2.5 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and the following related policies:

- Credit control and debt collection procedures/policies;
- Asset Management, Infrastructure Investment and Funding Policy;
- Tariff Policies;
- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Budget Policy; and
- Indigent Policy
- Virement Policy

2.6 Overview of budget assumptions

2.6.1 External factors

The economic slowdown has resulted in the financial resources being limited due to reduced payment levels by consumers. As a result the cash inflows have declined which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

2.6.2 General inflation outlook and its impact on the municipal activities

There are four key factors that have been taken into consideration in the compilation of the 2020/21 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers; and
- The increase in the cost of remuneration. Employee related costs comprise 58% of total operating expenditure in the 2020/21 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget. The wage agreement between SALGBC and the municipal workers unions was concluded effective

2.6.3 Collection rate for revenue services

The base assumption is that tariff will increase at a rate of inflation provided by National Treasury in Circular 93. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (70 per cent) of annual billings. Cash flow is assumed to be 70 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however be considered a source of additional cash in-flow once the

performance has been carefully monitored. The 70 per cent collection rate relates to the recoveries from the business community and the government. The collections from the residents are negligible due to the high rate of unemployment.

2.6.4 Growth or decline in tax base of the municipality

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate and real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

Table 28 Sources of capital revenue over the MTREF

Vote Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Funded by:											
National Government		41,672	58,378	38,566	39,873	39,873	39,873	39,873	38,145	42,179	42,009
Provincial Government											
Borrowing	6	5,034	5,711		4,350	4,350	4,350	4,350	–	–	–
Internally generated funds					7,843	2,043	2,043	2,043	100	–	–
Total Capital Funding	7	**46,706**	**64,089**	**38,566**	**52,066**	**46,266**	**46,266**	**46,266**	**38,245**	**42,179**	**42,009**

Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial

position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

KZN265 Nongoma Supporting Table SA10 Funding measurement

Description	MFMA section	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b	1	3,678	2,142	7,139	(2,268)	4,621	4,621	4,621	7,078	10,013	15,477
Cash + investments at the yr end less applications - R'000	18(1)b	2	85	2,619	(2,933)	17,599	14,102	14,102	14,102	19,049	20,066	28,943
Cash year end/monthly employee/supplier payments	18(1)b	3	0.3	0.2	0.6	(0.2)	0.4	0.4	0.4	0.5	0.7	1.0
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	30,394	35,571	15,569	47,716	33,916	33,916	33,916	31,779	34,179	36,009
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	0.8%	(0.1%)	9.2%	(7.3%)	(6.0%)	(6.0%)	(1.1%)	(0.9%)	(0.8%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	67.9%	79.2%	71.2%	66.0%	80.1%	80.1%	80.1%	68.2%	59.1%	57.5%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	18.7%	10.3%	(38.5%)	3.6%	2.9%	2.9%	2.9%	14.0%	14.0%	13.9%
Capital payments % of capital expenditure	18(1)c;19	8	100.0%	71.5%	81.8%	91.6%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	11.6%	52.1%	11.7%	(5.6%)	0.0%	0.0%	16.8%	15.0%	13.7%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	0.0%	0.0%	1.2%	1.3%	2.6%	2.6%	2.4%	2.3%	2.3%	2.3%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Total Operating Revenue			152,413	161,873	174,375	197,930	194,974	194,974	194,974	210,525	221,880	234,411
Total Operating Expenditure			166,435	183,844	190,137	190,087	192,931	192,931	192,931	210,425	221,880	234,411
Operating Performance Surplus/(Deficit)			(14,022)	(21,971)	(15,761)	7,843	2,043	2,043	2,043	100	0	0
Cash and Cash Equivalents (30 June 2012)										7,078		
Revenue												
% Increase in Total Operating Revenue				6.2%	7.7%	13.5%	(1.5%)	0.0%	0.0%	8.0%	5.4%	5.6%
% Increase in Property Rates Revenue				6.9%	6.1%	15.4%	0.0%	0.0%	0.0%	4.9%	5.1%	5.2%
% Increase in Electricity Revenue				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% Increase in Property Rates & Services Charges				6.8%	5.9%	15.2%	(1.3%)	0.0%	0.0%	4.9%	5.1%	5.2%
Expenditure												
% Increase in Total Operating Expenditure				10.5%	3.4%	(0.0%)	1.5%	0.0%	0.0%	9.1%	5.4%	5.6%
% Increase in Employee Costs				14.0%	12.4%	(5.3%)	0.9%	0.0%	0.0%	19.9%	6.2%	6.3%
% Increase in Electricity Bulk Purchases				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Average Cost Per Budgeted Employee Position (Remuneration)					0	0				0		
Average Cost Per Councillor (Remuneration)					0	0				0		
R&M % of PPE			0.0%	0.0%	1.2%	1.3%	2.6%	2.6%		2.3%	2.3%	2.3%
Asset Renewal and R&M as a % of PPE			0.0%	0.0%	1133.0%	2.0%	3.0%	3.0%		22.0%	21.0%	22.0%
Debt Impairment % of Total Billable Revenue			18.7%	10.3%	(38.5%)	3.6%	2.9%	2.9%	2.9%	14.0%	14.0%	13.9%
Capital Revenue												
Internally Funded & Other (R'000)			–	–	–	7,843	2,043	2,043	2,043	100	–	–
Borrowing (R'000)			5,034	5,711	–	4,350	4,350	4,350	4,350	–	–	–
Grant Funding and Other (R'000)			41,672	58,378	38,566	39,873	39,873	39,873	39,873	38,145	42,179	42,009
Internally Generated funds % of Non Grant Funding			0.0%	0.0%	0.0%	64.3%	32.0%	32.0%	32.0%	100.0%	0.0%	0.0%
Borrowing % of Non Grant Funding			100.0%	100.0%	0.0%	35.7%	68.0%	68.0%	68.0%	0.0%	0.0%	0.0%
Grant Funding % of Total Funding			89.2%	91.1%	100.0%	76.6%	86.2%	86.2%	86.2%	99.7%	100.0%	100.0%
Capital Expenditure												
Total Capital Programme (R'000)			46,706	64,089	38,566	52,066	46,266	46,266	46,266	38,245	42,179	42,009
Asset Renewal			–	–	–	–	–	–	–	–	–	–
Asset Renewal % of Total Capital Expenditure			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash												
Cash Receipts % of Rate Payer & Other			67.9%	79.2%	71.2%	66.0%	80.1%	80.1%	80.1%	68.2%	59.1%	57.5%
Cash Coverage Ratio			0	0	0	(0)	0	0	0	0	0	0
Borrowing												
Credit Rating (2009/10)										0		
Capital Charges to Operating			0.1%	0.1%	0.2%	1.1%	0.4%	0.4%	0.4%	1.1%	0.1%	0.0%
Borrowing Receipts % of Capital Expenditure			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Reserves												
Surplus/(Deficit)			85	2,619	(2,933)	17,599	14,102	14,102	14,102	19,049	20,066	28,943
Free Services												
Free Basic Services as a % of Equitable Share			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Free Services as a % of Operating Revenue (excl operational transfers)			0.0%	0.0%	0.0%	1.5%	1.6%	1.6%		1.5%	1.4%	1.4%
High Level Outcome of Funding Compliance												
Total Operating Revenue			152,413	161,873	174,375	197,930	194,974	194,974	194,974	210,525	221,880	234,411
Total Operating Expenditure			166,435	183,844	190,137	190,087	192,931	192,931	192,931	210,425	221,880	234,411
Surplus/(Deficit) Budgeted Operating Statement			(14,022)	(21,971)	(15,761)	7,843	2,043	2,043	2,043	100	0	0
Surplus/(Deficit) Considering Reserves and Cash Backing			85	2,619	(2,933)	17,599	14,102	14,102	14,102	19,049	20,066	28,943
MTREF Funded (1) / Unfunded (0)		15	1	1	0	1	1	1	1	1	1	1
MTREF Funded ✓ / Unfunded ✗		15	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓

2.7 Expenditure on grants and reconciliations of unspent funds

Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year.

Table 19MBRR SA22 - Summary of councillor and staff benefits

KZN265 Nongoma - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
	1	A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)										
Basic Salaries and Wages		8,718	8,340	8,924	9,413	9,413	9,413	8,603	9,140	9,712
Pension and UIF Contributions		4,467	1,079	1,155	1,216	1,216	1,216	1,230	1,307	1,389
Medical Aid Contributions		–	75	80	153	153	153	225	239	254
Motor Vehicle Allowance		–	3,165	3,386	2,840	2,840	2,840	3,311	3,518	3,738
Cellphone Allowance		–	1,030	1,103	1,714	1,714	1,714	1,912	2,031	2,158
Other benefits and allowances		–	163	174	151	151	151	86	91	97
Sub Total - Councillors		**13,185**	**13,852**	**14,821**	**15,487**	**15,487**	**15,487**	**15,366**	**16,327**	**17,347**
% increase	4		**5.1%**	**7.0%**	**4.5%**	**–**	**–**	**(0.8%)**	**6.3%**	**6.3%**
Senior Managers of the Municipality	2									
Basic Salaries and Wages		3,304	4,673	5,355	4,141	4,141	4,141	4,787	5,086	5,404
Pension and UIF Contributions		129	853	977	39	39	39	2	2	2
Medical Aid Contributions		–	345	395	53	53	53	57	61	65
Performance Bonus		454	618	662		–	–	399	424	450
Motor Vehicle Allowance	3	–	1,178	1,350	1,257	1,257	1,257	1,510	1,604	1,704
Cellphone Allowance	3	–	–	–	–	–	–	132	140	149
Other benefits and allowances	3	1,607	184	211	42	42	42	146	155	165
Payments in lieu of leave		–	–	–	235	235	235	376	399	424
Sub Total - Senior Managers of Municipality		**5,494**	**7,851**	**8,951**	**5,767**	**5,767**	**5,767**	**7,408**	**7,871**	**8,363**
% increase	4		**42.9%**	**14.0%**	**(35.6%)**	**–**	**–**	**28.5%**	**6.3%**	**6.2%**
Other Municipal Staff										
Basic Salaries and Wages		42,583	44,012	49,047	54,871	54,871	54,871	64,459	68,488	72,768
Pension and UIF Contributions		11,756	10,016	10,729	13,751	13,751	13,751	15,023	15,962	16,960
Medical Aid Contributions		2,617	1,938	2,611	3,669	3,669	3,669	4,182	4,443	4,721
Overtime		3,514	2,340	3,042	1,140	1,140	1,140			
Performance Bonus		3,272	2,892	3,633	4,628	4,628	4,628	5,333	4,486	6,471
Motor Vehicle Allowance	3	3,624	1,786	2,984	3,393	3,393	3,393	4,807	6,712	5,427
Cellphone Allowance	3	–	–	–	–	–	–	690	733	779
Housing Allowances	3	–	–	–	44	44	44	46	49	52
Other benefits and allowances	3	347	1,072	2,219	578	578	578	2,977	2,739	2,911
Payments in lieu of leave		253	–	–	1,651	1,651	1,651	3,318	3,525	3,746
Long service awards		336	–	–	–	–	–	–	–	–
Sub Total - Other Municipal Staff		**68,301**	**64,056**	**74,264**	**83,724**	**83,724**	**83,724**	**100,836**	**107,138**	**113,834**
% increase	4		**(6.2%)**	**15.9%**	**12.7%**	**–**	**–**	**20.4%**	**6.2%**	**6.3%**
Total Parent Municipality		**86,980**	**85,759**	**98,036**	**104,978**	**104,978**	**104,978**	**123,610**	**131,336**	**139,544**

Table 20 MBRR SA25 - Budgeted monthly revenue and expenditure

KZN265 Nongoma - Supporting Table SA25 Budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2020/21												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Revenue By Source																
Property rates		2,232	2,232	2,232	2,232	2,232	2,232	2,232	2,232	2,232	2,232	2,232	2,232	26,785	28,154	29,620
Service charges - refuse revenue		154	154	154	154	154	154	154	154	154	154	154	154	1,848	1,940	2,037
Rental of facilities and equipment		25	25	25	25	25	25	25	25	25	25	25	24	294	308	324
Interest earned - external investments		179	179	179	179	179	179	179	179	179	179	179	179	2,143	2,250	2,363
Interest earned - outstanding debtors		239	239	239	239	239	239	239	239	239	239	239	239	2,872	3,016	3,166
Fines, penalties and forfeits		30	30	30	30	30	30	30	30	30	30	30	30	363	381	400
Licences and permits		83	83	83	83	83	83	83	83	83	83	83	83	992	1,041	1,093
Transfers and subsidies		55,285	2,567	–	–	3,072	54,785	–	667	54,785	–	–	0	171,159	179,809	188,997
Other revenue		339	339	339	339	339	339	339	339	339	339	339	339	4,069	4,980	6,411
Total Revenue (excluding capital transfers and cont		**58,565**	**5,847**	**3,280**	**3,280**	**6,352**	**58,065**	**3,280**	**3,947**	**58,065**	**3,280**	**3,280**	**3,281**	**210,525**	**221,880**	**234,411**
Expenditure By Type																
Employee related costs		9,020	9,020	9,020	9,020	9,020	9,020	9,020	9,020	9,020	9,020	9,020	9,020	108,244	115,009	122,197
Remuneration of councillors		1,281	1,281	1,281	1,281	1,281	1,281	1,281	1,281	1,281	1,281	1,281	1,281	15,366	16,327	17,347
Debt impairment		333	333	333	333	333	333	333	333	333	333	333	333	4,000	4,200	4,410
Depreciation & asset impairment		1,454	1,454	1,454	1,454	1,454	1,454	1,454	1,454	1,454	1,454	1,454	1,454	17,448	18,321	19,237
Finance charges		72	72	72	72	72	72	72	72	72	72	72	72	869	301	111
Other materials		–	–	–	–	–	–	–	–	–	–	–	1,520	1,520	1,596	1,676
Contracted services		2,355	2,355	2,355	2,355	2,355	2,355	2,355	2,355	2,355	2,355	2,355	2,524	28,433	29,855	31,348
Transfers and subsidies		67	67	67	67	67	67	67	67	67	67	67	67	800	840	882
Other expenditure		2,953	2,953	2,953	2,953	2,953	2,953	2,953	2,953	2,953	2,953	2,953	1,264	33,745	35,432	37,203
Total Expenditure		**17,535**	**17,535**	**17,535**	**17,535**	**17,535**	**17,535**	**17,535**	**17,535**	**17,535**	**17,535**	**17,535**	**17,536**	**210,425**	**221,880**	**234,411**
Surplus/(Deficit)		**41,030**	**(11,688)**	**(14,255)**	**(14,255)**	**(11,183)**	**40,530**	**(14,255)**	**(13,588)**	**40,530**	**(14,255)**	**(14,255)**	**(14,255)**	**100**	**0**	**0**
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		10,559				10,559				10,561			–	31,679	34,179	36,009
Transfers and subsidies - capital (in-kind - all)													–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		**51,589**	**(11,688)**	**(14,255)**	**(14,255)**	**(624)**	**40,530**	**(14,255)**	**(13,588)**	**51,091**	**(14,255)**	**(14,255)**	**(14,255)**	**31,779**	**34,179**	**36,009**
Surplus/(Deficit)	1	**51,589**	**(11,688)**	**(14,255)**	**(14,255)**	**(624)**	**40,530**	**(14,255)**	**(13,588)**	**51,091**	**(14,255)**	**(14,255)**	**(14,255)**	**31,779**	**34,179**	**36,009**

2.8 Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Fi

nancial Management Division of the Treasury Department.

Table 39 MBRR SA33 – Contracts having future budgetary implications

There are no such contracts in place.

2.9 Capital expenditure details

The following three tables present details of the Municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

Table 21 MBRR SA 34a - Capital expenditure on new assets by asset class

KZN265 Nongoma - Supporting Table SA34a Capital expenditure on new assets by asset class

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Capital expenditure on new assets by Asset Class/Sub-class										
Infrastructure		**46,706**	**59,378**	**38,566**	**46,793**	**40,793**	**40,793**	**38,145**	**42,179**	**42,009**
Roads Infrastructure		46,706	58,378	38,566	38,793	32,793	32,793	30,145	34,179	36,009
Roads		46,706	58,378	38,566	38,793	32,793	32,793	30,145	34,179	36,009
Electrical Infrastructure		–	–	–	8,000	8,000	8,000	8,000	8,000	6,000
Capital Spares					8,000	8,000	8,000	8,000	8,000	6,000
Solid Waste Infrastructure		–	1,000	–	–	–	–	–	–	–
Landfill Sites			1,000							
Community Assets		**–**	**2,000**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Community Facilities		–	2,000	–	–	–	–	–	–	–
Testing Stations			1,000							
Taxi Ranks/Bus Terminals			1,000							
Computer Equipment		–	200	–	443	200	200	–	–	–
Computer Equipment			200		443	200	200			
Furniture and Office Equipment		–	500	–	300	223	223	–	–	–
Furniture and Office Equipment			500		300	223	223			
Machinery and Equipment		–	511	–	180	700	700	100	–	–
Machinery and Equipment			511		180	700	700	100		
Transport Assets		–	1,500	–	4,350	4,350	4,350	–	–	–
Transport Assets			1,500		4,350	4,350	4,350			
Total Capital Expenditure on new assets	1	**46,706**	**64,089**	**38,566**	**52,066**	**46,266**	**46,266**	**38,245**	**42,179**	**42,009**

No such expenditure.

Table 22 MBRR SA34c - Repairs and maintenance expenditure by asset class

KZN265 Nongoma - Supporting Table SA34c Repairs and maintenance expenditure by asset class

Description	Ref	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Repairs and maintenance expenditure by Asset Class/Sub-class								
Infrastructure		**2,000**	**2,100**	**3,640**	**3,640**	**3,500**	**3,675**	**3,859**
Roads Infrastructure		2,000	2,100	3,640	3,640	3,500	3,675	3,859
Roads		2,000	2,100	3,640	3,640	3,500	3,675	3,859
Community Assets		**–**	**–**	**–**	**–**	**500**	**525**	**551**
Community Facilities		–	–	–	–	500	525	551
Halls						500	525	551
Other assets		**1,800**	**2,579**	**4,000**	**4,000**	**3,000**	**3,150**	**3,308**
Operational Buildings		1,800	2,579	4,000	4,000	3,000	3,150	3,308
Municipal Offices		1,800	2,579	4,000	4,000	3,000	3,150	3,308
Computer Equipment		–	50	50	50	60	63	66
Computer Equipment			50	50	50	60	63	66
Machinery and Equipment		–	80	80	80	–	–	–
Machinery and Equipment			80	80	80			
Transport Assets		–	1,000	1,405	1,405	1,500	1,575	1,654
Transport Assets			1,000	1,405	1,405	1,500	1,575	1,654
Total Repairs and Maintenance Expenditure	1	**3,800**	**5,809**	**9,175**	**9,175**	**8,560**	**8,988**	**9,437**

2.10 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. **In year reporting**

   Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) still need to improve.

2. **Internship programme**

   The Municipality is participating in the Municipal Financial Management Internship programme that is funded by National Treasury and has appointed five (5) interns on a 2 year contract basis. This is a conditional grant allocation and it is then the responsibility of the municipality to ensure Financial Management Grant is spent in full at the end of the year.

3. **Budget and Treasury Office**

   The Budget and Treasury Office has been established in accordance with the MFMA.

4. **Audit Committee**

   The Audit Committee is functioning satisfactorily during the year.

5. **Annual Report**

   Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. **Policies**

   An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

Municipal manager's quality certificate

I, Mr MB Mnguni*, municipal manager of Nongoma Municipality, hereby certify that the draft budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the draft budget and supporting documents are consistent with the Integrated Development Plan of the municipality.*

Mr MB Mnguni

Municipal manager of Nongoma Municipality (KZN265)

Signature _____